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ISRAEL-LEBANON: Sharon Hints at Further Shelling

(Information as of 2300 EDT)

Israeli pressure on Palestinian forces in West Beirut intensified yesterday as Israeli aircraft, artillery, and naval units continued their bombardment of the city for the sixth straight day. Sudanese President Nimeiri's offer to resettle PLO fighters as "disarmed refugees" has drawn negative reactions from the guerrillas.

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Israeli Defense Minister Sharon intimated the shelling will continue as a means to keep pressure on the Palestinians rather than as a retaliation for guerrilla action. There were no reports of guerrilla activity against Israeli forces in Lebanon on Monday or yesterday.

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A Red Cross ship was attacked and crippled by at least 12 rockets in Beirut harbor yesterday. One sailor was killed and several others injured, according to the West German Red Cross.

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Israeli forces apparently are still finding Palestinian arms caches in southern Lebanon.

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//An Israeli military spokesman implied that Israel would not destroy Syrian surface-to-air missiles in the border area unless they threatened Israeli aircraft operating over the Bekaa Valley.

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Comment: There is no information as yet on who attacked the Red Cross ship, although an unconfirmed press report stated yesterday "GRAD-type" artillery rockets had fallen in the vicinity of Juniyah. These Soviet-made, 122-mm rockets have been used extensively by the Palestinians and could have been fired from West Beirut. Israeli forces also are using captured 122-mm artillery rockets against Palestinian positions in West Beirut.

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Nimeiri's Offer

Sudanese President Nimeiri on Monday told [] his offer of sanctuary to the PLO guer-
rillas in Beirut hinged on their accepting the status of
"disarmed refugees." Initial reactions from the guer-
rillas have been negative. []

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Comment: Nimeiri probably hoped his offer will im-
prove his stock with conservative Arab states, especially
Saudi Arabia, and make it easier to obtain financial
support. He evidently also believes the offer will help
to placate those in Sudan who have criticized him for
failing to take a stronger position on the war in
Lebanon. The presence of any significant number of
Palestinians, even disarmed, would cause additional
security problems for Nimeiri's shaky regime. []

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IRAN-IRAQ: Preparations for Offensive Continue
(Information as of 2300 EDT)

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In recent radiobroadcasts, the Iranian Government explained to the people that the current offensive has been slowed because care has to be taken to avoid killing Iraqi civilians. It also singled out Iraq's triangular strongpoints as difficult to penetrate. Tehran added that its goal is to destroy Iraqi military equipment rather than to seize territory.

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Comment: //Iranian commanders probably are bringing up additional regular units--especially armored--to replace losses and to increase their chances of sustaining a front-wide attack against the strong Iraqi defenses.//

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EC-US: Talks on Steel

//The EC is continuing efforts to wrap up a joint agreement limiting steel exports to the US.// []

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//The EC Commission has received a mandate from the EC Council to negotiate a Community-wide settlement--as opposed to the attempt last week at bilateral arrangements--in exchange for agreement by the US to drop all countervailing duty and antidumping cases. Major differences remain, however, over the Community's share of the US market and whether or not pipes and tubes should be included in the deal.// []

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//Following the failure to reach an agreement before 24 July, US steel companies now have to approve formally any US-EC deal. Failure to arrive at a compromise will result in EC steel producers facing dumping penalties in addition to countervailing duties--which go into effect on 24 August.// []

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Comment: //The Community probably will offer concessions on the number of products to be covered by the agreement, including some specialty steels, and soften its stand on market shares. The Community hopes to produce an accord before 9 August, when the US Department of Commerce releases its preliminary rulings on the anti-dumping cases.// []

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The West Europeans, especially the West Germans, are likely to hold firm to their demand that tubes and pipes be excluded from any agreement. Pressures in the Community for some countries to make sacrifices for the sake of an overall deal probably will increase as the deadline of 24 August approaches. []

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CUBA: Castro's Speech

President Castro's restrained speech on Monday commemorating the 26 July Revolution hinted of possible flexibility on the issue of Cuban troops in Angola. []

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The Angola-Namibia situation was the only foreign affairs issue Castro discussed at length. Although he recited the standard Cuban conditions for a troop pull-out, he implied a contingency plan for a withdrawal had been worked out with Angola and indicated Cuban troops would now remain in their present positions north of the border with Namibia. []

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Most of the speech dealt with domestic matters, with Castro attempting to provide some favorable statistics to brighten the bleak economic picture. He admitted, however, that hard currency problems caused by low world sugar prices were having a negative impact and warned that overall economic production would remain stagnant in the near future. []

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Comment: Castro continued a theme of other recent speeches in trying to prepare the Cuban people for the difficult economic times ahead. His preoccupation with domestic matters and his restrained rhetoric suggest he would like to see a reduction in tension with Washington that would benefit Cuba economically. []

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The Cuban leader probably framed his remarks on the withdrawal issue so as to avoid any criticism that his stand is causing the talks on Namibia to fail. He may hope the hint of flexibility would draw the US into a dialogue that could be a starting point for wider discussions. Castro gave no indication, however, of a readiness to compromise on other major bilateral differences. []

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INTERNATIONAL: Status of Nonaligned Summit

The nonaligned movement may decide to change the site of the summit now scheduled to be held in Baghdad in September.

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//Iran has been demanding the summit be held somewhere other than Baghdad, but the nonaligned movement had not considered switching sites until Iraq suffered military reversals this spring.

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the Iranian invasion has aggravated fears Baghdad will be unsafe for visiting heads of state. The movement is scheduled to decide the question early next month.

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Comment: //Most members probably will vote for a venue change if Baghdad remains vulnerable to Iranian air raids. They are reluctant, however, to change sites on short notice and do not want Cuba to remain chairman longer than necessary.

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A change of venue would be a blow to Iraq. It has spent over \$1 billion preparing for the summit and badly wants the prestige that the chairmanship of the non-aligned movement confers.

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JAPAN: Controversial Textbook Revisions

Officially approved Japanese textbook revisions playing down Japan's wartime aggression against China and its treatment of Koreans under colonial rule threaten to complicate Tokyo's relations with Beijing and Seoul. []

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Prime Minister Suzuki has directed government officials to try to smooth over the issue, but inept explanatory remarks issued by the Ministry of Education have only heightened Chinese and South Korean indignation. Beijing lodged a formal protest on Monday against the revisions, after launching a media campaign warning of reemerging militarism in Japan. China claimed that revisions violate "the spirit" of the Sino-Japanese joint statement of 1972, which opened formal relations between the two countries and contained Japan's acknowledgment of responsibility for its wartime record in China. []

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According to South Korean press reports, the cabinet decided on Monday to request an explanation from Tokyo. The press has accused Japan of attempting to justify its past "aggressive militarism" through officially approved textbooks that distort history. Press reaction in Singapore and North Korea also has been severe. []

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Comment: The controversy could not come at a worse time for Suzuki, who is scheduled to visit Beijing in September to help celebrate the 10th anniversary of relations with China. It also could complicate resolution of aid negotiations with South Korea. []

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CHINA-USSR: Technical Exchanges

The Chinese have agreed to Moscow's proposal of last December for an exchange of scientific and technical delegations. A Soviet diplomat in Beijing says a delegation of Chinese specialists is to study fish hatchery methods along the Volga River, and Soviet textile experts are to study silk manufacturing techniques in China.

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Comment: This exchange would be consistent with China's decision earlier this year to permit limited non-political contacts. It also would add to the growing number of favorable Chinese responses to Moscow's proposals and would encourage the Soviets to probe for additional openings. Scientific and technical exchanges ended in the 1960s, when China unilaterally terminated the relevant agreement.

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